

What I told the US Congress

Mark Pieth

Prof. em. University of Basel

We know that Switzerland is a small country. At the same time, it hosts a considerable financial resort and is probably the biggest commodity-trading hub in the world.

At the same time, this country has a long tradition of secrecy. In short, it is one of the biggest offshore havens in the world.

I am particularly interested in the role of introducers and enablers – frequently lawyers hiding behind attorney-client privilege. Now, there is nothing wrong if they act as traditional lawyers defending their clients' interests. On the other hand, it is equally clear that lawyers investing money for their clients are not acting as lawyers: they are financial operators.

The Panama Papers, Pandora Papers and other leaks have shown, however, that there is a sector in-between, those who, without touching money, are involved in creating money-laundering structures (shell companies, offshore accounts etc.): They are not covered by AML legislation. And yet they help to hide funds of for instance Russian Oligarchs, as those leaks have shown.

To give an example, the Russian cellist Roldugin, a school time friend of Putin, suddenly obtained a stake in Bank Rossiya and a stake in a Russian tank manufacturer – the persons helping him access and hide these assets are a law firm in Zurich (the names can be supplied).

Such structures impede banks and authorities in determining the true beneficial owners of the assets. They are a real danger for the success of the sanctions regime against Russia.

So, what should we be doing?

In Switzerland, only in March 2021 Parliament has refused to subject these enablers to AML legislation, under pressure by industry lobbyists. Of course, if we have clear proof of sanctions busting and money laundering Swiss authorities could intervene – but as Bill Browder's example has shockingly demonstrated, law enforcement may be incompetent and sometimes partisan.

While waiting for Switzerland to take renewed efforts to regulate enablers, the US has a role to play: Obviously, where these enablers undercut US sanctions, DOJ could intervene. In a more direct way, you could put the enablers, whose names are known, on the sanctions list or you could subject these lawyers to a visa ban.

Overall, I think there is merit in Bills suggestion to review the law enforcement relations between the US and Switzerland if the new Attorney General should not understand the message the Magnitzki case is sending.